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The 10 Stealth Economic Trends That Rule the World Today

By Noah Smith



REUTERS

What's going on in the world today? It's hard to keep up. Some facts are familiar to anyone who reads the news. Unemployment is high. Growth is slow. Shale gas is a big deal. But beyond the caps-lock headlines, subtler, but no less significant, shifts are changing the U.S. economy and reshaping the global financial order. Here are ten that have surprised—and might surprise.

1) Old Trend: Expensive solar, surviving only on subsidies.

New Trend: Cheap solar, disrupting old industries.

Since the 1970s, it has become a cliché that solar power is an expensive boondoggle, kept alive only by government subsidies. But every cliché is right until the day it's suddenly wrong. And for solar, that day is today. Since Jimmy Carter was sworn in as president, the price of solar cells has [fallen over 99 percent](#). No, that's not a typo. And the exponential cost-drop shows no sign of slowing down, with dozens of new technologies in the pipeline. Installation and land costs are [falling too](#). What this means

is that in sunny states like Arizona, solar can already compete with fossil fuel electricity even with zero government subsidies. In fact, rooftop solar panels are becoming so popular that utility companies are trying to *tax* solar power in order to pay for grid maintenance! The technology that was a punch line for decades is about to launch an energy revolution, and most people aren't even paying attention.

2. Old Trend: The Latinization of America.

New Trend: The Asiafication of America.

“The huge boom in Mexican immigration is over.” The improving Mexican economy, lower Mexican fertility, the U.S. construction bust, and increased enforcement have combined to bring net Mexican immigration to zero or negative since 2008. That bears repeating: On net, Mexicans are no longer moving to the United States at all. So who is? Lots of people, but Asians more than anyone. Asians are moving here at a rate of about half a million a year, and the Asian-American percentage of the population has already reached 6%. Most studies say immigration is good for the economy, so this is good news, especially because many of the new Asian arrivals are high-skilled, entrepreneurial types who will start businesses and hire the rest of us.

In 2012, the working-age population of China fell by 3.45 million—equal to the population of Connecticut or Lebanon.

3. Old Trend: The Chinese population bomb.

New Trend: The Chinese population bust.

In 2012, the working-age population of China fell by 3.45 million. In other words, last year China lost a number of workers approximately equal to the entire population of Lebanon. This year the drop will be bigger, and the drops will accelerate through the 2030s. That means that China's inexhaustible supply of cheap labor is going to be exhausted a lot faster than most people expected. Nor will repealing the infamous one-child policy cause a Chinese baby boom – in some small areas where it was repealed, fertility rates remain below the national average. This population crunch won't put that huge of a dent in China's billion-strong workforce, but it will boost investment in a lot of other poor countries and will force China's industries to move up the value chain very quickly or risk the “middle-income trap”.

4. Old Trend: Soaring U.S. CO2 emissions.

New Trend: Plummeting U.S. CO2 emissions.

Thanks a little bit to economic stagnation, but mostly to the boom in natural gas, the U.S. – the only large rich country not to sign the Kyoto Protocol – has seen its CO2 emissions tumble to levels not seen since the early 1990s. More drops are expected to follow. Global emissions (that's what really matters) continue to soar, but China is the main driver now. The U.S. is subtracting from total emissions growth now. Of course, that doesn't count methane emissions, which are released when natural gas is fracked. But the United States is no longer the global carbon bad-boy it was in the '90s.

5. Old Trend: College is becoming more and more important.

New Trend: College is no more important than before.

If you want a good job, go to college. This has been a maxim of American life since the 1980s, when the “college premium” – the extra income boost from going to college – truly soared into the stratosphere. But an interesting thing has happened in the last decade and a half – the college premium has stagnated. College is still valuable, but by at least one measure, it's not getting more valuable each year. Perhaps that's why American college enrollment declined last year. Expect that to put a damper on skyrocketing college tuition and soaring student loans.

6. Old Trend: Americans drive more and more.

New Trend: Americans drive less and less.

Remember when gas cost a buck a gallon? If so: Congratulations, you're old. With gasoline more-or-less permanently at \$4, Americans are finally adjusting their lifestyles, driving less and less even as unemployment falls. Meanwhile, rail traffic is up, with Amtrak logging a 55% gain since 1997. As we ditch our cars and hop on trains, buses, and bikes, expect an increasing number of Americans to discover the freedom that rail and public transit offers.

7. Old Trend: Skyrocketing health care costs, skyrocketing deficits.

New Trend: Creeping health care costs, creeping deficits.

Health-care costs and the national debt are drowning the nation, right? Well, maybe. But the water isn't rising nearly as fast as we thought it would. Health-care costs are still outpacing economic growth, but they are doing so at a slower pace, thanks perhaps to the imminent start of Obamacare, medical innovation, or the recession. Meanwhile, the percentage of health sector jobs is finally falling as a percent of the total. As for that big, bad deficit, it's fallen by more than half since 2009, and this quarter the federal government actually intends to pay back a tiny bit of the debt. Of course, for those who think that austerity is bad for the economy, this is bad news, but Americans who are worried about the national debt can breathe a little easier.

8. Old Trend: The BRICs are conquering the world.

New Trend: China is the only BRIC in the wall.

Remember the BRICs? Those new rising super-economies that were going to eclipse the old guard of America, Europe, and Japan? Well, they hit a BRIC wall. Russia, Brazil, and India, tigers of the 2000s, have slowed to 2 or 3% growth – about the same rate as the rich countries. China is the last BRIC standing. Although it has experienced a mild slowdown, too, it is still powering ahead at a robust 7.5% rate. Instead of the rise of a new economic order, we should be talking only about the rise of China.

9. Old Trend: Active management rules the finance universe.

New Trend: Passive investment rules the finance universe.

The number-one way that the finance industry makes its money is by collecting fees from people in order to manage their money. Pension funds, mutual funds, hedge funds, endowment funds...it seems like every dollar you save gets a hefty cut as it passes through the hands of middleman after middleman. And they can't all beat the market, can they? But America's love affair with money managers may be going lukewarm, as more and more investors move their wealth into passive

management. Passive management means piggybacking on the wisdom of the market instead of paying one pro big bucks to try to out-guess the other pros. Exchange Traded Funds, offered by companies such as BlackRock and Vanguard, are one of the main passive investment vehicles that have emerged in recent years. Meanwhile, some big pension funds are turning to passive management. This could be the dawn of a new, laid-back financial age.

10) Old Trend: China is buying up all our debt.

New Trend: China is selling off our debt.

America has mortgaged ourselves to the Chinese! ...Or have we? Our biggest foreign creditor, the Chinese government, is now selling U.S. bonds instead of buying them. Actually, so is our second-biggest foreign creditor, Japan. So who is buying Uncle Sam's debt? Regular Americans like you and me. Most of the national debt is money we Americans owe to each other, not to foreigners, and this is becoming more true, not less.

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